

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Year Ended June 30, 2014

(With Independent Auditor's Report Thereon)

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

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Clauson, Mouser & Co., PSC

CERTIFIED PUBLIC ACCOUNTANTS

KENNETH D. CLAUSON, CPA
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lincoln Trail Area Development District

We have audited the accompanying financial statements of the governmental activities and each major fund of Lincoln Trail Area Development District (LTADD), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise LTADD's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Lincoln Trail Area Development District, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–8 and 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have

applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lincoln Trail Area Development District's basic financial statements. The schedule of shared costs and the combining statement of operations by program and supporting services are presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a part of the basic financial statements.

The schedule of shared costs, the combining statement of operations by program and supporting services, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of shared costs, the combining statement of operations by program and supporting services, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2014, on our consideration of LTADD's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LTADD's internal control over financial reporting and compliance.

Clauson, Mouser & Co.

Certified Public Accountants
December 17, 2014

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

As management of the Lincoln Trail Area Development District (LTADD), we present readers of the LTADD's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the District's basic financial statements, which begin on page 9.

NATURE OF THE ORGANIZATION AND REPORTING ENTITY

LTADD was created in 1968 through articles of incorporation and Kentucky state law, for the purpose of economic development, planning and public administration services in an eight county region in North Central Kentucky. The agency is a voluntary association of local governmental units funded via contributions from member counties and cities, federal and state grant awards, and contractual arrangements for services.

In evaluating LTADD as a reporting entity, management has addressed its relationship with the local governments and concluded that, in accordance with the criteria set forth in Sections 2100 and 2600 of the Governmental Accounting Standards Codification; LTADD is a separate reporting entity.

FINANCIAL HIGHLIGHTS

The adjusted beginning net position for LTADD was \$1,688,865. The ending net position for the LTADD was \$1,716,128. LTADD's total net position increased by \$27,263 or just above 1.6%, from this period last year. In the prior year, net position increased by \$74,278.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts (A) management's discussion and analysis (this section), (B) the basic financial statements, (C) required supplementary information, and (D) a supplementary information section that presents a schedule of shared costs and a combining statement of operations by program and supporting services. The basic financial statements include two kinds of statements that present different views of LTADD:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about LTADD's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of LTADD, reporting LTADD's operations in more detail than the government-wide statements, and reporting the short-term information only.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that provides additional information related to the financial statements.

Government-wide Financial Statements

The government-wide statements report information about LTADD as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received and paid.

The two government-wide statements report LTADD's net position and how they have changed. Net position – the difference between LTADD's assets and liabilities – are one way to measure LTADD's financial health.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

June 30, 2014

Fund Financial Statements

The fund financial statements provide more detailed information about LTADD's most significant funds – not LTADD as a whole. Funds are accounting devices that LTADD uses to keep track of specific sources of funding and spending for particular purposes.

LTADD has two kinds of funds:

- General Fund – This fund focuses on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balance left at year-end that is available for spending. Consequently, the general fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance LTADD's programs.
- Special Revenue fund – Includes all grant programs and services operated by LTADD that are restricted for a special purpose.

FINANCIAL ANALYSIS OF LTADD AS A WHOLE

Table 1: Condensed Statements of Net Position

	2014	2013	Dollar Change	Percent Change
Assets				
Current Assets	\$2,489,787	\$2,496,380	-\$6,593	-0.26%
Revolving Loan Fund Receivables, net	148,880	211,731	-62,851	-29.68%
Capital assets, net	61,327	80,596	-19,269	-23.91%
Total Assets	<u>\$2,699,994</u>	<u>\$2,788,707</u>	<u>-\$88,713</u>	<u>-3.18%</u>
Liabilities				
Liabilities and Deferred Revenue	\$983,866	\$1,099,842	-\$115,976	-10.54%
Net Position				
Invested in Capital Assets	61,327	80,596	-19,269	-23.91%
Restricted	303,648	360,906	-57,258	-15.87%
Unrestricted	1,351,153	1,247,363	103,790	8.32%
Total Net Position	<u>1,716,128</u>	<u>1,688,865</u>	<u>27,263</u>	<u>1.61%</u>
Total Liabilities and Net Position	<u>\$2,699,994</u>	<u>\$2,788,707</u>	<u>-\$88,713</u>	<u>-3.18%</u>

LTADD's net position increased by a little more than 1.6% for the year ended June 30, 2014. The FY14 ending ratio of current assets to current liabilities is a little more than 2.5 times. Total net position represented 64% of total assets. Cash increased by \$272,890, grant receivables decreased by \$252,024, accounts payable decreased by \$66,386, funds due to grantor decreased by \$22,787 and deferred revenue decreased by \$28,381 from the June 30, 2013 figures. The most significant change to cash was due to an improved billing process for the Consumer Directed Options Program; this change resulted in faster payments from the state and quicker reimbursements to the LTADD General Fund. The most significant changes in grant receivables were due to 1) changes to Consumer Directed Options billing which reduced receivables by \$94,000, 2) reduction of Workforce Investment Act receivables due to reduction in formula funds and 3) the end of the Office of Economic Adjustment and Homeland Security programs.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

June 30, 2014

Table 2: Condensed Statement of Revenues, Expenses and Change in Net Position

	2014	2013	Dollar Change	Percent Change
Revenues				
Operating Grants and Contributions	\$8,352,544	\$9,621,476	-\$1,268,932	-13.19%
Charges for Services	33,811	40,707	-6,896	-16.94%
Member Dues	80,737	80,738	-1	0.00%
Interest	3,969	9,130	-5,161	-56.53%
Other Non-Budget Revenue	--	9	-9	-100.00%
Total Revenues	\$8,471,061	\$9,752,060	-\$1,280,999	-13.14%
Expenses				
General Government	147,955	187,324	-39,369	-21.02%
Community and Economic Development	317,166	515,481	-198,315	-38.47%
Revolving Loan Fund	70,916	35,258	35,658	101.13%
Employment and Training	2,061,279	3,320,029	-1,258,750	-37.91%
Social Services	5,583,654	5,380,248	203,406	3.78%
Transportation	262,828	238,247	24,581	10.32%
Loss on Disposal of Capital Assets	--	1,195	-1,195	-100.00%
Total Expenses	\$8,443,798	\$9,677,782	-\$1,233,984	-12.75%
Increase in Net Position	\$27,263	\$74,278	-\$47,015	-63.30%

Revenues:

LTADD recognized a \$1,280,999 or approximately a 13% decrease in revenue in FY 2014 when compared to revenue recognized the FY 2013 period. The current year's decrease can be attributed to a reduction of approximately \$200,000 in Community Development funds with the end of Office of Economic Adjustment and Homeland Security grants, a reduction of \$1.3 million in Workforce Investment Act fund due to a decrease in formula fund needs and the completion of a Regional Labor Market Study. Some of the decrease in Workforce Investment Act and Community Development funding was offset by an increase in Social Services funding with growth in the Consumer Directed Option program and the addition of the Kynect program.

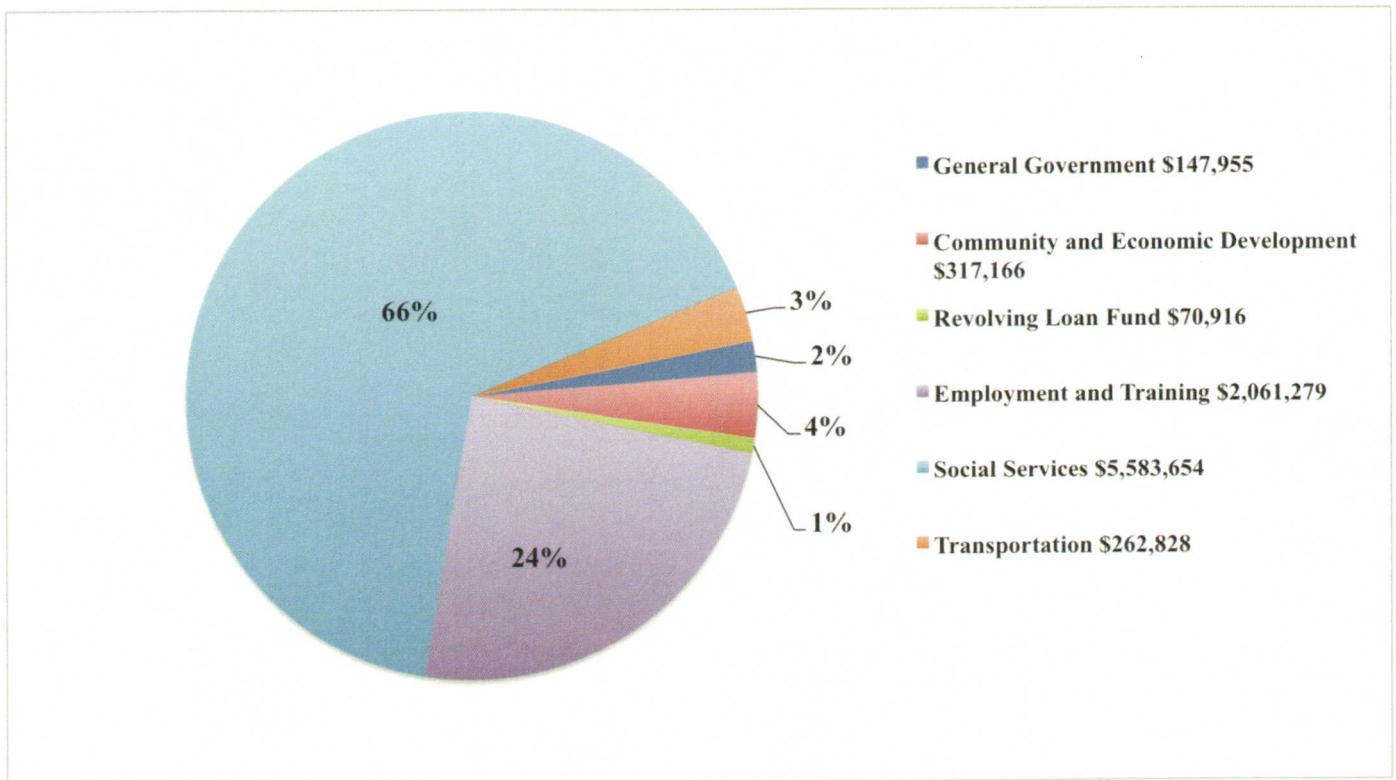
Expenses:

LTADD recognized approximately a 12.8% decrease in expenses in FY 2014 over the prior period. The decrease in expenses were due primarily to decreased revenue in the Community and Economic Development and Workforce Investment Act programs and mirrors the decrease in revenues identified above. Our net position increased by \$27,263 in the FY14 fiscal year, our change in net position decreased by \$47,015 in comparison to the prior year increase of \$74,278. The increase in net position is due primarily to better than expected results on our performance based contracts.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT**MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED**

June 30, 2014

LTADD expenses cover a range of services. The following pie chart outlines the percentages and amounts expended by activity. About 66% of the expenditures were associated with Social Service type activities; this is an increase of 10.4% over last year's percentage of 55.6. About 24% of expenditures were associated with Employment and Training activities, which is down 10.3% from its FY13 share.



LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

June 30, 2014

BUDGETARY HIGHLIGHTS

LTADD had \$8,484,211 in revenues for FY14; this was a 13.5 percent decrease from revenues recognized in FY13. The main reason for the reduction was a decrease in need for services provided by Workforce Investment Act formula funds. A secondary cause was a reduction in revenue due to the completion of special funds like Office of Economic Adjustment and Homeland Security in the Community Development section. We did experience growth in our Social Services section with increased funding to our Consumer Directed Options program and the addition of the Kynect project. The highlights below give a more detailed description of the changes and its impact to the various sections of the LTADD:

- **COMMUNITY & ECONOMIC DEVELOPMENT (CED)** – The programs administered by the CED comprise the original functions and core activities of LTADD assistance to local governments. Furthermore, inside the CED itself, the Joint Funding Administration (JFA) program covers the primary component of the Community and Economic Development Department – historically, the JFA serves as the original, legacy funding of all ADDs. The funding foundation of the JFA program has remained consistent since 1998. In FY 14 we experienced a very slight increase in state funds due to reductions in JFA state planning.
- The ongoing growth assistance to the region from the U. S. Department of Defense - Office of Economic Adjustment (OEA) and local match from One Knox Policy Council members was no longer a programmatic category in FY 14. These funds had allowed the LTADD to finalize necessary analysis & research, information outreach and staffing oversight to the region for Fort Knox growth under Base Realignment And Closure (BRAC) 2005. The project was closed out in FY 13 and results in a \$72,393 decrease in revenues this Fiscal Year.
- The role of the LTADD in Homeland Security decreased in FY 14 resulting in a \$127,778 loss in funding. Even at that, the vast majority of Kentucky Office of Homeland Security (KOHS) funding was utilized as pass-through to local units of government.
- **TRANSPORTATION** – The overall Transportation Planning component of the LTADD (Metropolitan and Rural) saw an overall increase in FY 14 of \$24,613 in federal, state and local matching funds. The majority of this increase came in the area of Planning where we utilized \$11,682 in additional federal and local funds. Other increases were tied to our mapping programs where we experienced an increase of \$18,125.
- **WORKFORCE INVESTMENT** – Again, the programs of the Workforce Investment Act (WIA) performed by the LTADD Employment and Training Department accounted for a 38% decrease in revenues in the past fiscal year. As in the past, the main impact was due to WIA funds received in prior years from the US Department of Labor (DOL). Those funds decreased due to reductions in federal funding in overall WIA programs, as well as the cessation of WIRED65 and BRAC Sustainability funds. The decrease in traditional WIA funds and other employment and training revenues totaled \$1,282,412 as compared to the FY 13 WIA funding levels.
- **SOCIAL SERVICES** – Kentucky's Area Development Districts (ADDs) social services funding levels once again remain relatively stable overall. This is somewhat misleading, as there were cuts in both our traditional state-funded programs and federal programs through the Older Americans Act. Kentucky's programs both financially match and complement the federal programs comprising the Older Americans Act. Virtually all funding in state programs is designed to keep seniors (and those who are disabled) in their homes and in the community rather than in institutional settings. Combined federal and state revenue decreased in these areas over Social Services' FY 13 funding levels. The programs that allowed the region to witness an increase in overall Aging Services funding included both the Home & Community Based Consumer Directed Option (CDO), which saw an increase of \$160,757; and the KY Health Benefit Exchange KYNECT program (a new funding source for this FY) which saw a revenue increase to that department of \$248,209. Increases in CDO programmatic and financial areas of the LTADD offset the state and federal funding reductions noted above. Traditional program cuts are reflected by the total department increase of \$198,196, when compared with the increases in KYNECT and CDO.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

June 30, 2014

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At year-end 2014, LTADD had invested \$590,570 in capital assets, including vehicles, office furniture, office equipment and computers. Overall, net capital assets decreased by \$19,269 from last year. More detailed information about LTADD's capital assets is presented in Note H to the financial statements.

Long-term Debt

At year-end 2014, LTADD had \$5,175 in outstanding debt – a decrease of 17% from last year's figure. More detailed information about LTADD's long-term liabilities is presented in Note J to the financial statements.

NEXT YEAR'S BUDGETS

LTADD's FY 2015 budget was based on actual information received from the federal, state and local government contracts as of August 2014. Revenues and expenditures were budgeted at \$9,160,263, which is approximately a 9% increase from the FY 2014 actual amounts expended.

FUTURE OPERATIONS

Federal, state, and local governments fund a majority of all programs and projects administered by LTADD. A significant reduction in federal, state or local funding, if this were to occur, would have a significant, material affect on LTADD's future operation.

REQUEST FOR ADDITIONAL INFORMATION

This report is intended to provide readers with a general overview of LTADD's finances and to provide information regarding the receipts and uses of funds. If you need clarification regarding a statement(s) made in this report or need additional information please contact the Lincoln Trail Area Development District, Attention: Fiscal Officer, PO Box 604, Elizabethtown, KY 42702-0604.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

ASSETS

Current Assets:

Cash and cash equivalents	\$1,228,752
Grant receivables	1,044,000
Other receivables	58,899
Prepaid expenses	2,539
Total current assets	<u>2,334,190</u>

Capital assets, net of depreciation	<u>61,327</u>
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Restricted assets:

Cash – Revolving Loan Fund	155,597
Revolving loan fund receivables, net of allowance	148,880
	<u>304,477</u>

Total Assets

\$2,699,994

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

Current Liabilities:

Accounts payable	\$364,414
Advances from grantors	197,504
Unearned grant revenue due to grantor	160,487
Accrued wages	126,464
Payroll withholdings and accruals	21,514
Compensated absences, current	15,936
Revolving loans payable, current	1,050
Total current liabilities	<u>887,369</u>

Noncurrent Liabilities:

Compensated absences, net of current portion	79,436
Revolving loans payable, net of current portion	4,125
Total noncurrent liabilities	<u>83,561</u>

Total Liabilities

970,930

Deferred Inflows of Resources:

Deferred revenue	<u>12,936</u>
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Net Position:

Net Investment in capital assets	61,327
Restricted for Revolving Loan Fund	303,648
Unrestricted	<u>1,351,153</u>

Total Net Position

1,716,128

Total Liabilities, Deferred Inflows and Net Position

\$2,699,994

See notes to financial statements.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

Function/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Direct Expenses	Indirect Costs Allocated	Charges for Services	Operating Grants and Contributions	
Governmental activities:					
General government	\$117,325	\$30,630	\$20,999	\$92,215	-\$34,741
Community and economic development	231,086	86,080	--	312,653	-4,513
Revolving loan funds	69,504	1,412	12,812	--	-58,104
Employment and training	1,847,069	214,210	--	2,055,967	-5,312
Social services	5,257,152	326,502	--	5,640,050	56,396
Transportation	194,892	67,936	--	251,659	-11,169
Total	\$7,717,028	\$726,770	\$33,811	\$8,352,544	-57,443

General Revenues:

Member Dues	80,737
Interest	3,969
Total general revenues	84,706

Change in Net Position 27,263

Net position, beginning of year
adjusted 1,688,865

Net position, end of year \$1,716,128

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2014

	General Fund	Special Revenue Fund	Total
ASSETS			
Cash and cash equivalents	\$1,008,453	\$375,896	\$1,384,349
Interfund receivables	347,875	113,974	461,849
Grant receivables	--	1,044,000	1,044,000
Other receivables	--	58,899	58,899
Prepaid expenses	--	2,539	2,539
Total Assets	<u>\$1,356,328</u>	<u>\$1,595,308</u>	<u>\$2,951,636</u>
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Accounts payable	\$0	\$364,414	\$364,414
Interfund payables	--	461,849	461,849
Advances from grantors	--	197,504	197,504
Unearned revenue due to grantor	--	160,487	160,487
Deferred revenue	--	12,936	12,936
Accrued wages	--	126,464	126,464
Payroll withholdings and accruals	--	21,514	21,514
Total Liabilities	<u>0</u>	<u>1,345,168</u>	<u>1,345,168</u>
Fund balances:			
Nonspendable	2,539	--	2,539
Restricted	--	154,768	154,768
Committed	--	95,372	95,372
Assigned	5,175	--	5,175
Unassigned	1,348,614	--	1,348,614
Total Fund Balances	<u>1,356,328</u>	<u>250,140</u>	<u>1,606,468</u>
Total Liabilities and Fund Balances	<u>\$1,356,328</u>	<u>\$1,595,308</u>	<u>\$2,951,636</u>

See notes to financial statements.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2014

Total Fund Balances - Governmental Funds

\$1,606,468

Amounts reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds:

Cost	\$590,570	
Accumulated depreciation	<u>-529,243</u>	61,327

Long-term restricted assets are not available to pay for current period expenditures:

Revolving loan fund receivables	286,114	
Revolving loan fund bad debt allowance	<u>-137,234</u>	148,880

Long-term liabilities are not due and payable in the current period, and therefore are not reported as liabilities in governmental funds:

Revolving loans payable	-5,175	
Compensated absences	<u>-95,372</u>	<u>-100,547</u>

Net Position of Governmental Activities

\$1,716,128

See notes to financial statements.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

Year Ended June 30, 2014

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues:			
Federal revenue	\$83,625	\$3,622,782	\$3,706,407
State revenue	8,500	4,227,013	4,235,513
Local revenue	78,571	54,943	133,514
Cash Match	--	200,442	200,442
Program income	--	56,161	56,161
Interest income	3,573	11,960	15,533
Other income	13,150	1,583	14,733
In-kind contributions	--	121,908	121,908
Total Revenues	187,419	8,296,792	8,484,211
Expenditures:			
General government	135,274	--	135,274
Community and economic development	--	317,660	317,660
Revolving loan fund	--	7,246	7,246
Employment and training	--	2,055,147	2,055,147
Social services	--	5,578,058	5,578,058
Transportation	--	261,137	261,137
Capital outlay	4,111	12,891	17,002
Debt service-principal	1,050	--	1,050
Debt service-interest	53	--	53
Total Expenditures	140,488	8,232,139	8,372,627
Excess of Revenues Over Expenditures	46,931	64,653	111,584
Other Financing Sources (Uses)			
Operating transfers in (out)	55,344	-55,344	--
RLF principal received/(disbursed), net	--	-814	-814
Total Other Financing Sources (Uses)	55,344	-56,158	-814
Net Change in Fund Balances	102,275	8,495	110,770
Fund Balances, Beginning of Year Adjusted	1,254,053	241,645	1,495,698
Fund Balances, End of Year	<u>\$1,356,328</u>	<u>\$250,140</u>	<u>\$1,606,468</u>

See notes to financial statements.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO
THE STATEMENT OF ACTIVITIES**

Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds	\$110,770
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	\$14,197	
Depreciation expense	<u>-33,466</u>	
		-19,269

The net decrease in long-term restricted net assets of the revolving loan fund does not use current financial resources, and thus is not reported in the governmental funds:

Change in revolving loan fund receivables, net of allowance	-62,851
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The net decrease in long-term liabilities does not provide current financial resources, and thus is not reported in the governmental funds:

Change in revolving loans payable	1,050
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Certain expenses reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds:

Change in compensated absences liability	-2,435
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Rounding	<u>-2</u>
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Change in Net Position of Governmental Activities	<u><u>\$27,263</u></u>
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See notes to financial statements.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE A – REPORTING ENTITY

The Lincoln Trail Area Development District (the District) was established under the laws of the Commonwealth of Kentucky by KRS 147A.050(4). The Attorney General in OAG 78-534 held that Area Development Districts are political subdivisions of the Commonwealth of Kentucky. As an Area Development District, the Lincoln Trail Area Development District has entered into various agreements, memoranda of agreements and contracts, all of which are subject to the financial management policies of the District.

The District receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*, since members of the District's Board of Directors are elected officials, or are appointed by elected officials, and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Basis of Presentation – Government-Wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. All of the District's activities are governmental and thus the statements reflect no business-type activities.

The government-wide statements are prepared using the economic resources measurements focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service program or department and are, therefore, clearly identifiable to a particular program. Indirect costs are expenses that are not specifically identifiable to a particular program and are therefore allocated to the various programs. Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of program expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

LTADD classifies net position in the government-wide financial statements as follows:

- Net investment in capital assets includes capital assets, net of depreciation, reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position includes assets that have third-party (statutory, bond covenant, or grant agency) limitations on their use. LTADD typically uses restricted assets first but reserves the right to selectively defer the use until a future project.
- Unrestricted net position typically includes unrestricted liquid assets. The Board of Directors has the authority to revisit or alter this designation.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. This District has neither nonmajor funds nor fiduciary funds.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2014

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the changes in fund balances.

The District has the following governmental funds:

The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.

The Special Revenue Fund accounts for proceeds of specific revenue sources that are legally restricted to disbursements for special purposes. It includes federal financial programs where unused balances may be returned to the grantor at the close of the special project periods, as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

- (2) **Basis of Accounting** – Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues – Exchange and Non-Exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year end.

Non-Exchange Transactions, in which the District receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from Non-Exchange Transactions must also be available before it can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the costs have been earned and eligibility requirements are met would be recorded as deferred revenue.

Unearned Grant Revenue Due to Grantor – Unearned grant revenue due to grantor includes grant revenues received but not earned for District grants, contracts, and MOA's for which expenditure time limitations have expired.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2014

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses and changes in net position as an expense with a like amount reported as donated commodities revenue. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the District's policy is to first apply restricted resources.

Interfund Receivables and Payables are used to account for obligations due to and from the General Fund and the Special Revenue Fund in the governmental funds but are eliminated in the government wide financial statements.

The measurement focus on governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

- (3) **Budgetary Principles** – The District is not legally required to adopt a budget; however, a budget is prepared using the grants management basis of accounting for each fiscal year and is approved by the Board of Directors.
- (4) **Cash Equivalents** – For purposes of financial statement presentation, LTADD classifies certificates of deposit as cash equivalents.
- (5) **Allowance for Loan Losses** – The allowance for loan losses for the revolving loan fund is maintained at a level, considered by management, to be adequate to provide for loan losses inherent in the loan portfolio. Management determines the adequacy of the allowance based upon a review of individual credits, recent loss experience and current economic conditions. The allowance is increased by the provision for loan losses and reduced by net charge-offs.
- (6) **Capital Assets** – Capital assets are reported in the government-wide financial statements. Capital assets are defined by LTADD as assets with an initial, individual cost of more than \$500. Such assets are recorded at historical costs.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets of LTADD are depreciated principally using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Vehicles and equipment	3 – 7 years
Equipment – grants	5 years

- (7) **Compensated Absences** – The compensated absences liability included in the balance sheet represents earned vacation available to employees, up to a maximum of 150 hours, at current compensation rates.
- (8) **Recognition of Revenue** – Grant revenue is recognized to the extent that expenditures are incurred in the manner specified by the grants and matching requirements are met.
- (9) **Cost Allocation** – Lincoln Trail Area Development District is required by the Department of Local Government, to operate under a cost allocation plan that conforms with 2 CFR Part 225. A summary of the cost allocation methodology begins on page 24 in Note R. A schedule of shared costs for FY 14 is on page 29. The District is in conformity with 2 CFR Part 225.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2014

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

(10) Fund Balance Classification – In accordance with GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”, fund balances are reported in the classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The following are the fund balance categories and the distinctions between each:

- a. Nonspendable – amounts that are not in a spendable form (such as inventory or prepaid expenses) or that are required to be maintained intact.
- b. Restricted – amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers or through enabling legislation.
- c. Committed – amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority, such as a Board of Directors. Amounts committed cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
- d. Assigned – are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- e. Unassigned – is the residual classification for the government.

(11) Income Taxes – LTADD is exempt from federal and state income taxes by virtue of being a unit of local government under Regulation 103 KAR 30:225E and, accordingly, the financial statements include no provision for such taxes.

(12) Subsequent Events – Management has evaluated subsequent events through December 17, 2014, which is the date the financial statements are available to be issued.

NOTE C – ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE D – DEPOSITS / CASH AND CASH EQUIVALENTS

Custodial credit risk for deposits is the risk that in the event of a bank failure, a government’s deposits may not be returned to it.

The Kentucky Revised Statutes authorize LTADD to invest money subject to its control in obligations of the United States; bonds or certificates of indebtedness of Kentucky and its agencies and instrumentalities; savings and loan associations insured by an agency of the United States up to the amount insured; and national or state banks chartered in Kentucky and insured by an agency of the United States providing such banks pledge as security obligations, as permitted by KRS 41.240(4), having a current quoted market value at least equal to uninsured deposits.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT**NOTES TO FINANCIAL STATEMENTS, Continued**

June 30, 2014

NOTE D – DEPOSITS / CASH AND CASH EQUIVALENTS, Continued

At June 30, 2014, \$1,299,260 of LTADD's bank balances of \$1,549,260 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ --
Uninsured and collateral held by pledging financial institution in LTADD's name	<u>1,299,260</u>
Total	<u>\$1,299,260</u>

NOTE E – INTERFUND RECEIVABLE AND PAYABLES

Receivables and payables between funds included on the Balance Sheet – Governmental Funds at June 30, 2014 are as follows:

Due To	Due From	Amount
Operations	Revolving Loan Fund	\$829
Operations	Consumer Directed Options	45,142
Operations	Workforce Investment Act	68,003
General Fund	Operations	347,875
		<u>\$461,849</u>

NOTE F – FEDERAL AND STATE ADMINISTRED GRANT RECEIVABLES

Federal and state administered grant receivables consist of receivables for reimbursements of expenditures under various programs and grants. All amounts are expected to be collected within the next year. Grant receivables at June 30, 2014 consisted of the following:

FY'14	
Kentucky Infrastructure Authority	\$44,500
Cabinet for Heath & Family Services - Aging	591,375
KY Transportation Cabinet	41,395
KADIS – Pennyriple Area Development District	756
Division of Aging Services – Consumer Directed Options	189,633
KY Cabinet for Workforce Development	176,341
	<u>\$1,044,000</u>

NOTE G – REVOLVING LOAN FUND RECEIVABLES

The Revolving Loan program was established in 1987 with 75% or \$500,000 of the funding coming from a Special Economic Development and Assistance grant from the Economic Development Administration (EDA) and a 25% or \$166,667 match provided by the LTADD. As of June 30, 2014, there were nine active loans with an outstanding principal balance of \$286,114. Of the nine active loans outstanding, one is in default, with Bankruptcy protection, with \$31,121 of outstanding principal at risk. LTADD has worked with an attorney on the bankruptcy; proofs of claim have been filed and to date no judgment has come on this case. The Revolving Loan Committee voted to write this loan off in FY 2015. An additional allowance of \$16,727 is carried on one loan, which is in default at June 30, 2014 but is not in bankruptcy protection. The Loan Officer is working with the loan in default without bankruptcy protection and periodic payments have been made on this loan. Additional loan loss allowances of \$89,386 are estimated and included for four loans that are in default but are not more than sixty days past due.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT**NOTES TO FINANCIAL STATEMENTS, Continued**

June 30, 2014

NOTE G – REVOLVING LOAN FUND RECEIVABLES, Continued

The revolving loan fund receivables at June 30, 2014, are summarized as follows:

Principal balance of loans outstanding	\$286,114
Allowance for loan losses	<u>-137,234</u>
Revolving loan fund receivables, net of allowance	<u>\$148,880</u>

An analysis of the allowance for loan losses is as follows:

Estimated allowance for loan losses, June 20, 2013	\$ 73,569
Recoveries of loans previously reserved	--
Provisions for the year	63,665
Loans charged off	<u>--</u>
Estimated allowance for loan losses, June 30, 2014	<u>\$ 137,234</u>

Recoveries and provisions are recorded in the statement of activities. There were no recoveries of loans previously written off for the year ended June 30, 2014. In management's opinion, all known and anticipated loan losses have been either written off or adequately provided for in the allowance for loan losses.

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Vehicles and Equipment	\$282,314	\$4,111	\$1,354	\$285,071
Equipment - Grant Purchased	<u>300,822</u>	<u>10,086</u>	<u>5,409</u>	<u>305,499</u>
Total Costs	<u>583,136</u>	<u>14,197</u>	<u>6,763</u>	<u>590,570</u>
Less Accumulated Depreciation				
Vehicles and Equipment	255,113	13,151	1,354	266,910
Equipment - Grant Purchased	<u>247,427</u>	<u>20,315</u>	<u>5,409</u>	<u>262,333</u>
Total Accumulated Depreciation	<u>502,540</u>	<u>33,466</u>	<u>6,763</u>	<u>529,243</u>
Net Capital Assets, Adjusted	<u>\$80,596</u>	<u>-\$19,269</u>	<u>\$0</u>	<u>\$61,327</u>

Capital outlay expenditures include grant purchased equipment for subrecipients in the amount of \$2,805.

Depreciation expense was charged to governmental functions as follows:

General government	\$13,151
Community & economic development	2,510
Revolving loan fund	--
Employment and training	9,520
Social services	7,468
Transportation	<u>817</u>
Total depreciation expense	<u>\$33,466</u>

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2014

NOTE I – UNEARNED GRANT REVENUE DUE TO GRANTOR

At June 30, 2014 unearned grant revenue of \$160,487 includes revenues received but not earned, for District contracts and grants, and is as follows:

Contract/Billing Name	FY14 Revenue Received	FY14 Expenditures	Amount Due to Grantor
FY07 and prior - all sources	\$-	\$-	\$37,290
FY08			
Kentucky Infrastructure Authority	-	-	25,877
CMS-SHIP Administration	-	-	132
Aging & Disability Resource Market	-	-	7,878
FY09			
Kentucky Infrastructure Authority	-	-	238
DOE-JAG	-	-	2,465
Consumer Directed Options	-	-	5,090
Homecare	-	-	2,238
FY10			
Kentucky Infrastructure Authority	-	-	715
DOE-JAG	-	-	56
Consumer Directed Options	-	-	18,550
Homecare	-	-	7,218
Adult Day Care	-	-	5,622
KY Caregiver Support Grandparent	-	-	5,680
PCAP	-	-	9,362
State LTC Ombudsman	-	-	3
Kentucky Prescription Assistance Program	-	-	25
FY11			
Kentucky Prescription Assistance Program	-	-	4
FY12			
Kentucky Prescription Assistance Program	-	-	1,938
Workforce Investment Act	-	-	1,970
FY13			
Traumatic Brain Injury	-	-	1,614
Kentucky Prescription Assistance Program	-	-	146
FY14			
Title III Aging Planning & Admin	111,849	111,620	229
Title III-B Supportive Services	416,335	413,496	2,839
Title III-C2 Home Delivered Meals	239,566	231,789	7,777
Title III-E Caregiver	142,445	138,593	3,852
Homecare	795,775	787,423	8,352
LTADD Adult Day Care	86,942	86,689	275
CMS-SHIP	49,657	49,265	392
Improving Arthritis Outcomes	812	800	12
Chronic Disease Self-Management Ed	6,286	5,525	761
Functional Assessment Service Team	3,000	2,672	328
State Long Term Care Ombudsman	33,396	31,837	1,559
			<u>\$160,487</u>

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2014

NOTE J – LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Beginning Balance	Additions	Payments	Ending Balance	Amount Due Within One Year
Compensated absences	\$92,937	\$2,435	\$-	\$95,372	\$15,936
Revolving Loans Payable - KHC	6,225	-	1,050	5,175	1,050
Total Long-Term Liabilities	<u>\$99,162</u>	<u>\$2,435</u>	<u>\$1,050</u>	<u>\$100,547</u>	<u>\$16,986</u>

Additions and reductions to compensated absences represent the net change in compensated absences for the fiscal year.

The District participates in the Non-profit Housing Production Loan Program administered by the Kentucky Housing Corporation, whereby the District receives funds for the purpose of making low interest loans to eligible applicants. The District is required to repay these loan program funds to the Kentucky Housing Corporation in annual installments plus interest at the rate of 1% per annum, paid quarterly. The following is a summary of future maturities under this loan program:

Year ending June 30	
2015	\$ 1,050
2016	1,050
2017	1,050
2018	1,050
2019	975
	<u>\$5,175</u>

NOTE K – DEFINED BENEFIT RETIREMENT PLAN

The District participates in the County Employees Retirement System (CERS) pension plan (Plan). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in non-hazardous and hazardous duty positions of each county and school board, and any additional eligible local agencies elected to participate in the Kentucky Retirement System. The Plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of Plan members under certain circumstances. Cost of living adjustments (COLA) are provided at the discretion of the State legislature. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601.

All CERS plan members are required to contribute 5.0% of their annual creditable compensation and the District is required to contribute at an actuarially determined rate. Members with a participation date on or after September 1, 2008 will contribute an additional 1% to be deposited into the KRS Insurance Fund. LTADD has nine employees hired after September 1, 2008 who are required to contribute the additional 1%. The table below summarizes employer contribution rates and amounts contributed to the Plan for the year ending June 30, 2014 and the preceding two years.

Year Ended June 30	Contribution Rate		Creditable Compensation	Employee Contribution	Employee 1% Insurance	Employer Contribution	Total Contribution
	Employee	Employer					
2014	5.0%	18.89%	1,608,852	80,443	2,792	303,929	387,164
2013	5.0%	19.55%	1,466,180	73,309	1,776	286,623	361,708
2012	5.0%	18.96%	1,529,591	76,480	1,489	289,982	367,951

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT**NOTES TO FINANCIAL STATEMENTS, Continued**

June 30, 2014

NOTE L – RELATED PARTY TRANSACTIONS AND RENTAL COMMITMENTS

The District has entered into a lease agreement, which is a cancelable operating lease agreement for office space and storage with Lincoln Trail Development Foundation, Inc (the Foundation). The lease agreement is on an annual basis. The rental charge is computed based on the actual cost of providing the space. The annual rental cost totaled \$39,494 for the year ended June 30, 2014.

NOTE M – FUND BALANCES

Fund balances at June 30, 2014 are classified as follows: Nonspendable in the amount of \$2,539 represents amounts that cannot be spent due to form and correspond to prepaid expenses; Restricted by contractual provisions for the Revolving Loan Fund in the amount of \$154,768; Committed for the purpose of funding compensated absences in the amount of \$95,372; and Assigned for the intent of funding revolving loans payable in the amount of \$5,175. Committed and assigned fund balance classifications are determined by action of the Board of Directors.

NOTE N – BUDGET BASIS REVENUES AND EXPENDITURES

The District maintains accounting records utilizing the grants management (budget) basis of accounting for grant and financial reporting purposes. Certain differences exist between the grants management (budget) basis of accounting and the governmental fund basis of accounting reported in the fund financial statements. The amounts reported are reconciled as follows:

Grants Management (Budget) Basis Expenditures	\$8,383,054
Change in compensated absences liability not recognized in fund financial statements	-2,435
Agency owned assets are depreciated for budget basis but expensed in fund financial statements:	
Expense capital assets purchased with agency funds	4,111
Depreciation expense on agency owned assets	-13,151
Debt service expense recognized in the fund financial statements	1,050
Rounding	-2
Fund Financial Statement Expenditures	<u>\$8,372,627</u>

NOTE O – RISK MANAGEMENT

LTADD is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. LTADD participates in the Kentucky Association of Counties All Lines Fund (KALF), a public entity risk pool currently operating as a common risk management and insurance program for the Counties of Kentucky and their sub agencies. LTADD pays an annual premium to KALF for insurance coverage for certain risks of loss, including workers' compensation and general liability. The Coverage Agreement provides that KALF will be self-sustaining through member contributions, premiums and assessments and will reinsure through commercial companies for property related claims in excess of \$250,000 for each insured event.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2014

NOTE P – CONCENTRATION OF RISK

During the year ended June 30, 2014, the District received approximately 98.7% of its revenue from federal, state and local grants, and the related in-kind match and program income. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, it is determined that funds have not been used for the intended purpose, the grantor may request a refund of monies advanced, or refuse to reimburse the District for its expenditures. The amount of such future refunds and unreimbursed expenditures, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

NOTE Q – IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* amends GASB Statement No. 27. Statement No. 68 was issued June 2012 and will become effective for financial statements for fiscal years beginning after June 15, 2014. This statement, together with GASB Statement No. 67, *Financial Reporting for Pension Plans*, which amends GASB Statement No. 25, define how pension liabilities will be calculated and reported by employers who prepare financial statements in accordance with Generally Accepted Accounting Principals (GAAP). Management is currently evaluating the impact of the adoption of this statement.

NOTE R – COST ALLOCATION METHODOLOGY

All costs incurred by LTADD must be charged to a specific program element as a direct charge or allocated to all program elements as a shared cost. Direct charges are defined in 2CFR, Part 225 (formerly OMB Circular A-87) as expenses that can be identified specifically with a particular cost objective. Shared costs are those incurred for a common or joint purpose benefiting more than one program element and not readily assignable to the program element(s) specifically benefited. Below is a listing of the expense categories that apply to LTADD and the manner in which they will be charged.

1. **Personnel Costs** – consists of salary, benefits, and worker's compensation. The following is a description of how these costs are charged:
 - a. **Salaries** – employees charge their time as direct costs to the grants or program cost objectives in which their work is attributable. Charges are based upon timesheets submitted by each employee. The salary of employees whose total time is not directly attributable to specific grant programs, such as the Executive Director and Administrative staff, will be charged to either the operational, indirect administration or common cost pool based on the nature of the task performed. Time spent on Board related activities or overall management of the organization will be charged to the operational cost pool. Time related to accounting, human resources, or procurement are charged to the indirect administration pool. Time spent by the receptionist and network specialist, as well as building/vehicle maintenance activities that benefit only the main office are charged to the common cost pool. Those employees whose time is partially direct and partially indirect will have their salary costs pro-rated based upon their timesheet entries.
 - b. **Employee Leave Benefit** – Employee leave is allocated rather than being charged directly to programs, leave costs are placed in an interim pool by employee class then allocated during the month-end closing process. Allocations are made by class using the ratio of year-to-date actual leave benefit costs to the base of in-service salaries. In-service salaries being defined as salaries resulting from direct, indirect administrative, common and operational timesheet charges. Employee leave benefits are budgeted and accounted for as salary costs. The allocation in the accounting process seeks to equitably share these costs as a percentage of salaries. LTADD has 3 types of employee leave classes:

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2014

NOTE R – COST ALLOCATION METHODOLOGY, Continued

- **Full Time Employees** – which are entitled to annual, sick, holiday, civil and military leave.
- **Part Time Regular Employees** – which are entitled to annual, sick, holiday and civil leave.
- **Seasonal/Temporary Employees** – which are not entitled to any type of leave.

The cost allocation plan (CAP) identifies the treatment of leave costs as a matter of accounting practice. It replaces the impractical practice of direct charging leave by an individual with a computerized process that improves the equitable sharing of leave in a multi-funded and multiple-fiscal-year environment.

- c. **Employee Fringe Benefit** – consists of benefit costs for all employees whether their salaries are charged as direct or indirect. Fringe benefit costs are allocated to all programs by line-item expenditure, which consists of FICA, Health, Dental, Retirement, Long Term Disability/Life, and Vision. The accumulated fringe benefit pool costs are distributed through a rate that represents the ratio of fringe costs to total salaries by employee classification. Through the use of fringe rates by employee class, fringe benefits automatically follow the year-to-date salary cost and create an equitable distribution. LTADD has 3 types of employee classification for fringe:

- **Full Time Employees** – employees that are entitled to FICA, Health, Dental, Vision, Retirement, and Long Term Disability/Life Insurance
- **Part Time Regular Employees** – employees that are entitled to FICA
- **Seasonal/Temporary** – employees that are entitled to FICA

- d. **Worker's Compensation** – is charged to the projects or cost pools based on a rate determined by position classification. During the month-end closing process a general journal entry is created by the accounting system that takes the salaries charged by each individual and multiplies it by a rate assigned to the individual's classification resulting in the amount of worker's compensation assigned to the project or cost pool. When a salary is direct charged to a program, the worker's compensation is direct charged to the program. If a salary is charged to a cost pool, the worker's compensation is charged to the cost pool.

2. **Operating or Administration Expenses** – costs that can be directly attributed to a specific grant or program element is charged as direct costs to the program or cost objective benefiting from the services. Costs whose content cannot be directly attributed to a specific grant or program element are charged to the applicable cost pool (i.e. operation, indirect administration or common cost pool) and allocated on the basis of salary, benefits, and worker's compensation (personnel costs). The following is a list of expenditures that fall into this category:

- a. Consultants and contracts
- b. Client services and direct support
- c. Travel and training
- d. Advertising, printing, publication and copies
- e. Equipment rent and maintenance
- f. Supplies and postage
- g. Phone
- h. Dues and registrations
- i. Other costs
- j. Rent
- k. Insurance and bond expense

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2014

NOTE R – COST ALLOCATION METHODOLOGY, Continued

3. **Common Cost Pool** – consists of occupancy and other facility costs that support all programs located at the primary LTADD facility. Examples of common cost expenses are salary and benefits for the receptionist, salary and benefits for network specialist, agency owned vehicles, janitorial services, depreciation, building supplies, maintenance/repairs to the building, mowing services, insurance, maintenance/repairs to computer equipment and any cost that benefits the main facility and it's occupants. These costs are directly charged to a common cost pool element (999000) throughout the month. Costs charged to the common cost pool are independent of the costs charged to the other cost pools. The common cost pool is the first pool to close during the month-end closing process and does not get allocated any portion of the indirect administrative or operational cost pools. During the month-end closing process, an actual year-to-date rate is determined using the ratio of actual year-to-date common cost pool expenses to actual year-to-date salaries, fringe, and worker's compensation (base). The base of the common cost pool is reduced by the Workforce Investment Act case management staff salary, fringe and worker's compensation costs because they are not housed at the primary facility located at 613 College Street Road and, therefore, do not share in the common cost pool allocation. The common cost pool rate fluctuates slightly from month to month due to increases/decreases in charges to the pool and shifts in employee salaries and/or benefits from month to month. A share of the common cost pool is assigned to each active project or cost objective, including the indirect administrative and operational cost pools, based on the salaries, fringe and worker's compensation incurred by each.
4. **Indirect Administrative Cost Pool** – consists of costs for accounting, human resources and procurement activities that benefit all programs and cannot be directly charged to a program or cost objective. Examples of indirect administrative costs would be expenses for salaries and benefits for the accounting staff, salary and benefits for human resource activities, audit costs, maintenance and support costs for the accounting software, bond/insurance for administrative staff, wellness activities and other administrative miscellaneous charges. These costs are directly charged to an indirect administrative cost pool element (999500) throughout the month. Costs charged to the indirect administrative cost pool are independent of costs charged to the other cost pools. The indirect administrative cost pool is the second pool to close during the month-end closing process and gets a share of the common cost pool based on the year-to-date rate calculated for the common cost pool during the closing process multiplied by the year-to-date salaries, fringe, and worker's compensation charged to the indirect administrative cost pool. During the month-end closing process, an actual year-to-date rate is determined using the ratio of actual year-to-date indirect administrative cost pool expenses to actual year-to-date salaries, fringe, and worker's compensation (base) for all programs or cost objectives. The indirect administrative cost pool rate fluctuates slightly from month to month due to increases/decreases in charges to the pool and due to the variable nature of employee salaries and/or benefits from month to month. A share of the indirect administrative cost pool is assigned to each active project or cost objective, including the operational cost pool, based on the salaries, fringe and worker's compensation incurred by each.
5. **Operational Cost Pool** – consists of costs for activities related to the board of directors and general management activities that benefit all programs and that cannot be directly charged to a program or cost objective. Examples of operational costs are expenses for salaries and benefits of staff that support board activities, salary and benefits for the executive director, executive director's vehicle expense, travel related to the general management of all programs, and other miscellaneous general management charges. These costs are directly charged to the operational cost pool element (770000) throughout the month. Costs charged to the operational cost pool are independent to the cost charged to the other pools. The operational cost pool is the last pool to close during the month-end closing process and gets a share of the common and the indirect administrative cost pools based on the rates calculated for each pool multiplied by the year-to-date salaries, fringe, and worker's compensation charged to the operational cost pool. During the month-

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT**NOTES TO FINANCIAL STATEMENTS, Continued**

June 30, 2014

NOTE R – COST ALLOCATION METHODOLOGY, Continued

end closing process, an actual year-to-date rate is determined using the ratio of year-to-date salary, fringe and worker's compensation costs per project or cost objective divided by the actual year-to-date salaries, fringe, and worker's compensation of all projects or cost objectives. The operational cost pool is a percentage of the year-to-date salary and benefits for one project to the salary and benefits of all the projects or cost objectives. The percent allocated fluctuates from month to month due to the variable nature of employee salaries and/or benefits charged to projects or cost objectives from month to month. A share of the operational cost pool is assigned to each project or cost objective based on the salaries, fringe and worker's compensation incurred by each. During the closing process the costs are shifted from the operational pool (zeroing out the pool) and charged to the various projects based on actual year-to-date salaries, fringe and worker's compensation.

The accounting system will accumulate all shared costs, whether operational, administrative indirect or common, on an annual basis coinciding with the LTADD's fiscal period. Allocated costs are distributed monthly for reporting purposes. LTADD has a few contracts that terminate before our fiscal year end at June 30, these projects are locked and pool costs are shifted to our general fund. This process enables us to report final year-end audited figures equal to the final invoices submitted to the grantor. The projects that are locked will have slightly different pool rates than projects that end at June 30. These costs are absorbed by our general fund and do not affect charges to other active projects.

At the end of the year, the final distribution is recorded to form a part of final costs by activity. This mechanism allows the accounting system to develop actual rates (fringe, operational, indirect administrative or common) for the twelve-month period and eliminates the circumstantial results created by the timing of incurred costs and project beginning and termination periods. As a result, all financial activity during the fiscal year serves as the base for sharing of fiscal year allocated costs.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

BUDGETARY COMPARISON SCHEDULE
GOVERNMENTAL FUNDS – GRANTS MANAGEMENT BASIS

Year Ended June 30, 2014

	Original and Final Budget	Actual Amounts
Revenues:		
Federal revenue	\$4,544,745	\$3,706,407
State revenue	4,072,088	4,235,513
Local revenue	154,646	133,514
Cash match	-	200,442
Program income	-	56,161
Interest income	4,000	15,533
Other income	4,500	14,733
In-kind contributions	247,167	121,908
Total Revenues	9,027,146	8,484,211
Expenditures:		
Salaries	1,706,730	1,683,295
Fringe	778,410	761,983
Contractual services	3,288,193	3,087,647
Client services/Program costs	2,702,819	2,377,318
Travel	103,319	87,010
Training	22,192	25,499
Ads, printing, publishing, and copies	14,802	18,051
Equipment rent and maintenance	38,265	45,400
Grant purchased equipment	30,900	12,891
Supplies and postage	39,242	40,752
Phone	27,643	24,552
Dues and registrations	54,075	55,500
Other costs	32,838	36,223
Rent	114,010	109,486
Insurance	21,522	14,173
In-Kind expenses	52,186	3,274
Total Expenditures	9,027,146	8,383,054
Excess Revenues over Expenditures	\$0	101,157
Fund balance, beginning of year adjusted		1,709,038
Fund balance, end of year		<u>\$1,810,195</u>

Note A: The LTADD budget is prepared on the grants management basis of accounting for the General Fund and the Special Revenue Fund combined, as approved by the Board of Directors.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

Schedule of Shared Costs

June 30, 2014

	<u>Operational</u>	<u>Indirect</u>	<u>Common</u>	<u>Total</u>
Salaries	\$171,592	\$113,260	\$44,417	\$329,269
Fringe Benefits	77,658	40,530	20,478	138,666
Contractual Services	2,538	20,526	-	23,064
Travel	32,887	1,799	14,560	49,246
Training	1,630	627	-	2,257
Ads, Printing, Publications & Copies	2,185	3,379	765	6,329
Equipment Rent and Maintenance	1,626	3,241	3,596	8,463
Supplies and Postage	7,882	1,987	3,779	13,648
Phone	13,050	45	410	13,505
Dues and Registrations	22,701	1,371	75	24,147
Other Costs	3,979	1,992	10,478	16,449
Rent	10,203	7,591	69,760	87,554
Insurance & Bond Expenses	12,105	892	1,176	14,173
	<u>\$360,036</u>	<u>\$197,240</u>	<u>\$169,494</u>	<u>\$726,770</u>

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

COMBINING STATEMENT OF OPERATIONS BY PROGRAM AND SUPPORTING SERVICES

Year Ended June 30, 2014

	Joint Funding Agreement	Kentucky Infrastructure Authority	Agriculture Contract	CWK - Broadband Outreach & Development	COMMUNITY & ECONOMIC DEVELOPMENT TOTAL	KTC Regional Transportation	Federal Transit Admin Section 5304 Regional	KTC Metropolitan Planning Organization	MPO - FY13 Public Transp Implementation Study
Revenues									
Federal Revenue	\$ 81,400	\$ -	\$ 10,052	\$ -	\$ 91,452	\$ -	\$ 1,964	\$ 98,400	\$ 9,840
State Revenue	129,689	89,000	1,329	-	220,018	78,067	-	6,150	-
Local Revenue	4,398	890	-	467	5,755	9,268	491	19,702	2,460
Cash Match	-	-	1,183	-	1,183	-	-	-	-
Program Income	-	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-	-
Other Income	-	-	-	-	-	-	-	-	-
In-Kind Contributions	-	-	-	-	-	-	-	-	-
Total revenues	215,487	89,890	12,564	467	318,408	87,335	2,455	124,252	12,300
Expenditures									
Salaries	102,532	41,441	5,586	-	149,559	41,169	1,205	57,897	-
Fringe Benefits	47,363	19,144	2,580	-	69,087	19,016	557	26,742	-
Contractual Services	-	-	-	-	-	-	-	-	12,300
Client Services/Program Costs	-	-	-	-	-	-	-	-	-
Travel	488	1,183	-	-	1,671	390	-	7	-
Training	779	85	-	-	864	553	-	1,451	-
Ads, Printing, Publications and Copies	554	184	-	-	738	59	-	1,080	-
Equipment Rent and Maintenance	2,916	2,494	-	-	5,410	1,385	-	1,369	-
Capital Outlay (Equipment)	-	-	-	-	-	-	-	1,838	-
Supplies and Postage	525	216	-	-	741	45	-	98	-
Phone	782	-	-	-	782	80	-	-	-
Dues and Registrations	535	1,291	-	-	1,826	942	-	450	-
Other Costs	-	-	-	-	-	-	-	-	-
Rent	-	-	-	-	-	-	-	-	-
Insurance and Bond Expense	-	-	-	-	-	-	-	-	-
In-Kind Expenses	-	-	1,183	-	1,183	-	-	-	-
Debt Service-Principal	-	-	-	-	-	-	-	-	-
Shared Costs Applied:									
Operational Costs	27,293	11,032	1,487	-	39,812	10,959	321	15,410	-
Indirect Administration Costs	14,952	6,043	815	-	21,810	6,004	175	8,443	-
Shared Costs	16,768	6,777	913	-	24,458	6,733	197	9,467	-
Total expenditures	215,487	89,890	12,564	-	317,941	87,335	2,455	124,252	12,300
Revenues over (under) expenditures	-	-	-	467	467	-	-	-	-
Other financing sources (uses):									
Operating transfers in (out)	-	-	-	-	-	-	-	-	-
RLF principal received (disbursed), net	-	-	-	-	-	-	-	-	-
Net change in fund balances	-	-	-	467	467	-	-	-	-
Fund balances, beginning of year adjusted	-	-	-	(467)	(467)	-	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

COMBINING STATEMENT OF OPERATIONS BY PROGRAM AND SUPPORTING SERVICES

Year Ended June 30, 2014

	Federal Transit Administration	KTC FY14 Local Road Updates - Centerline	TRANSPORTATION TOTAL	EDA RLF Administration	RLF - EDA	REVOLVING LOAN FUND TOTAL	Workforce Investment Act	EMPLOYMENT & TRAINING TOTAL
Revenues								
Federal Revenue	\$ 14,982	\$ 14,080	\$ 139,266	\$ -	\$ -	\$ -	\$ 2,055,689	\$ 2,055,689
State Revenue	-	3,520	87,737	-	-	-	-	-
Local Revenue	3,746	525	36,192	450	-	450	-	-
Cash Match	-	-	-	-	-	-	-	-
Program Income	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	11,960	11,960	-	-
Other Income	-	-	-	6,604	(5,356)	1,248	278	278
In-Kind Contributions	-	-	-	-	-	-	-	-
Total revenues	18,728	18,125	263,195	7,054	6,604	13,658	2,055,967	2,055,967
Expenditures								
Salaries	8,543	8,721	117,535	2,456	-	2,456	444,132	444,132
Fringe Benefits	3,947	3,905	54,167	1,131	-	1,131	195,513	195,513
Contractual Services	-	-	12,300	830	-	830	383,482	383,482
Client Services/Program Costs	-	-	-	-	-	-	751,028	751,028
Travel	1	189	587	1	-	1	14,542	14,542
Training	-	-	2,004	-	-	-	6,385	6,385
Ads, Printing, Publications and Copies	-	-	1,139	5	-	5	2,687	2,687
Equipment Rent and Maintenance	420	-	3,174	1,322	-	1,322	2,187	2,187
Capital Outlay (Equipment)	-	-	1,838	-	-	-	-	-
Supplies and Postage	-	-	143	40	-	40	11,341	11,341
Phone	-	-	80	-	-	-	783	783
Dues and Registrations	8	-	1,400	5	-	5	7,586	7,586
Other Costs	892	-	892	49	-	49	159	159
Rent	-	-	-	-	-	-	21,932	21,932
Insurance and Bond Expense	-	-	-	-	-	-	-	-
In-Kind Expenses	-	-	-	-	-	-	-	-
Debt Service-Principal	-	-	-	-	-	-	-	-
Shared Costs Applied:								
Operational Costs	2,274	2,472	31,436	653	-	653	116,466	116,466
Indirect Administration Costs	1,246	1,362	17,230	358	-	358	63,804	63,804
Shared Costs	1,397	1,476	19,270	401	-	401	33,940	33,940
Total expenditures	18,728	18,125	263,195	7,251	-	7,251	2,055,967	2,055,967
Revenues over (under) expenditures	-	-	-	(197)	6,604	6,407	-	-
Other financing sources (uses):								
Operating transfers in (out)	-	-	-	-	-	-	-	-
RLF principal received (disbursed), net	-	-	-	-	-	-	-	-
Net change in fund balances	-	-	-	(197)	6,604	6,407	-	-
Fund balances, beginning of year adjusted	-	-	-	197	434,278	434,475	-	-
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -	\$ 440,882	\$ 440,882	\$ -	\$ -

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

COMBINING STATEMENT OF OPERATIONS BY PROGRAM AND SUPPORTING SERVICES

Year Ended June 30, 2014

	Title III Aging Planning & Administration	Title III-B Support Services	Title III-C1 Congregate Meals	Title III-C2 Home Delivered Meals	Title III-D Preventive Health	Title III-E Caregiver	Title VII Elder Abuse	Title VII Ombudsman	Nutrition Services Incentive Prog "NSIP"
Revenues									
Federal Revenue	\$ 72,756	\$ 206,748	\$ 249,336	\$ 143,889	\$ 21,199	\$ 102,872	\$ 3,540	\$ 7,122	\$ 63,405
State Revenue	38,864	137,833	26,928	53,700	-	35,611	-	-	-
Local Revenue	-	-	-	-	-	-	-	-	-
Cash Match	-	42,028	3,866	34,018	3,162	-	-	-	-
Program Income	-	10,255	37,677	183	-	55	-	-	-
Interest Income	-	-	-	-	-	-	-	-	-
Other Income	-	-	-	-	-	55	-	-	-
In-Kind Contributions	-	16,632	103,307	-	87	-	625	1,257	-
Total revenues	111,620	413,496	421,114	231,790	24,448	138,593	4,165	8,379	63,405
Expenditures									
Salaries	47,613	22,993	2,986	-	222	28,723	-	-	-
Fringe Benefits	21,713	11,004	1,380	-	110	14,256	-	-	-
Contractual Services	3,429	341,191	414,399	231,790	21,080	76,314	3,540	7,122	63,405
Client Services/Program Costs	122	5,026	-	-	-	-	-	-	-
Travel	2,362	1,836	-	-	14	880	-	-	-
Training	5,506	-	-	-	-	724	-	-	-
Ads, Printing, Publications and Copies	1,225	484	120	-	-	253	-	-	-
Equipment Rent and Maintenance	313	17,060	-	-	-	-	-	-	-
Capital Outlay (Equipment)	-	-	-	-	2,805	-	-	-	-
Supplies and Postage	802	518	388	-	-	522	-	-	-
Phone	784	-	-	-	-	-	-	-	-
Dues and Registrations	459	-	-	-	-	-	-	-	-
Other Costs	-	-	-	-	-	-	-	-	-
Rent	-	-	-	-	-	-	-	-	-
Insurance and Bond Expense	-	-	-	-	-	-	-	-	-
In-Kind Expenses	-	-	122	-	87	-	625	1,257	-
Debt Service-Principal	-	-	-	-	-	-	-	-	-
Shared Costs Applied:									
Operational Costs	12,622	6,190	795	-	60	7,826	-	-	-
Indirect Administration Costs	6,915	3,391	436	-	33	4,287	-	-	-
Shared Costs	7,755	3,803	488	-	37	4,808	-	-	-
Total expenditures	111,620	413,496	421,114	231,790	24,448	138,593	4,165	8,379	63,405
Revenues over (under) expenditures	-	-	-	-	-	-	-	-	-
Other financing sources (uses):									
Operating transfers in (out)	-	-	-	-	-	-	-	-	-
RLF principal received (disbursed), net	-	-	-	-	-	-	-	-	-
Net change in fund balances	-	-	-	-	-	-	-	-	-
Fund balances, beginning of year adjusted	-	-	-	-	-	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT
**COMBINING STATEMENT OF OPERATIONS BY
PROGRAM AND SUPPORTING SERVICES**

Year Ended June 30, 2014

	Kynector Project	Homecare Administration	Homecare Social Services	Homecare Home Delivered Meals	Adult Day Care Administration	Adult Day Care Services	KY Caregiver Support Administration	KY Caregiver Support Grandparent Services	CMS-SHIP
Revenues									
Federal Revenue	\$ 248,209	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,265
State Revenue	-	84,082	548,015	167,735	5,396	82,414	6,373	110,489	-
Local Revenue	-	-	-	-	-	-	3,421	847	-
Cash Match	-	-	42,890	25,067	-	-	-	-	-
Program Income	-	-	3,696	20	-	4,275	-	-	-
Interest Income	-	-	-	-	-	-	-	-	-
Other Income	-	-	-	-	-	-	-	2	-
In-Kind Contributions	-	-	-	-	-	-	-	-	-
Total revenues	248,209	84,082	594,601	192,822	5,396	86,689	9,794	111,338	49,265
Expenditures									
Salaries	117,738	36,947	91,714	-	2,686	881	4,930	14,468	97
Fringe Benefits	54,314	16,866	44,785	-	1,167	435	2,096	7,224	44
Contractual Services	186	-	392,322	192,822	-	84,852	-	-	47,077
Client Services/Program Costs	-	-	-	-	-	-	-	81,106	-
Travel	6,978	241	929	-	-	-	-	-	165
Training	684	961	1,671	-	-	-	-	-	-
Ads, Printing, Publications and Copies	702	149	261	-	11	2	-	-	-
Equipment Rent and Maintenance	78	2,500	-	-	-	-	-	-	-
Capital Outlay (Equipment)	-	3,204	5,044	-	-	-	-	-	-
Supplies and Postage	1,279	459	1,020	-	15	-	2	-	566
Phone	3,021	-	3,101	-	-	-	-	-	1,137
Dues and Registrations	148	770	-	-	-	-	-	-	-
Other Costs	-	800	15	-	-	-	-	-	120
Rent	-	-	-	-	-	-	-	-	-
Insurance and Bond Expense	-	-	-	-	-	-	-	-	-
In-Kind Expenses	-	-	-	-	-	-	-	-	-
Debt Service-Principal	-	-	-	-	-	-	-	-	-
Shared Costs Applied:									
Operational Costs	31,327	9,798	24,854	-	702	240	1,279	3,950	27
Indirect Administration Costs	17,162	5,368	13,616	-	384	131	701	2,164	15
Shared Costs	5,162	6,019	15,269	-	431	148	786	2,426	17
Total expenditures	238,779	84,082	594,601	192,822	5,396	86,689	9,794	111,338	49,265
Revenues over (under) expenditures	9,430	-	-	-	-	-	-	-	-
Other financing sources (uses):									
Operating transfers in (out)	(9,430)	-	-	-	-	-	-	-	-
RLF principal received (disbursed), net	-	-	-	-	-	-	-	-	-
Net change in fund balances	-	-	-	-	-	-	-	-	-
Fund balances, beginning of year adjusted	-	-	-	-	-	-	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

COMBINING STATEMENT OF OPERATIONS BY PROGRAM AND SUPPORTING SERVICES

Year Ended June 30, 2014

	PCAP Administration	PCAP Subsidy & Coordination	Aging & Disability Resource Center	ACA MIPPA/AAA	ACA MIPPA/SHIP ADRC	Arthritis	Chronic Disease Self- Management Education	Functional Assessment Service Team	State LTC Ombudsman
Revenues									
Federal Revenue	\$ -	\$ -	\$ 2,300	\$ 9,100	\$ 538	\$ 800	\$ 5,525	\$ 2,671	\$ -
State Revenue	38,263	597,261	-	-	-	-	-	-	31,837
Local Revenue	-	338	-	-	-	-	-	-	-
Cash Match	-	48,228	-	-	-	-	-	-	-
Program Income	-	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-	-
Other Income	-	-	-	-	-	-	-	-	-
In-Kind Contributions	-	-	-	-	-	-	-	-	-
Total revenues	38,263	645,827	2,300	9,100	538	800	5,525	2,671	31,837
Expenditures									
Salaries	18,461	-	136	-	-	393	2,280	690	256
Fringe Benefits	8,451	-	65	-	-	181	1,134	346	118
Contractual Services	-	645,827	-	7,838	-	-	-	-	30,336
Client Services/Program Costs	-	-	-	-	-	-	-	-	-
Travel	55	-	-	-	-	-	58	150	36
Training	-	-	1,995	-	288	-	112	202	-
Ads, Printing, Publications and Copies	110	-	-	-	-	-	596	-	-
Equipment Rent and Maintenance	-	-	-	-	-	-	-	-	-
Capital Outlay (Equipment)	-	-	-	-	-	-	-	-	-
Supplies and Postage	554	-	-	-	-	-	-	876	38
Phone	-	-	-	-	-	-	-	-	581
Dues and Registrations	37	-	-	-	250	-	-	-	245
Other Costs	-	-	-	-	-	-	-	-	80
Rent	-	-	-	-	-	-	-	-	-
Insurance and Bond Expense	-	-	-	-	-	-	-	-	-
In-Kind Expenses	-	-	-	-	-	-	-	-	-
Debt Service-Principal	-	-	-	-	-	-	-	-	-
Shared Costs Applied:									
Operational Costs	4,900	-	55	-	-	105	622	189	68
Indirect Administration Costs	2,685	-	27	-	-	57	341	103	37
Shared Costs	3,010	-	22	-	-	64	382	115	42
Total expenditures	38,263	645,827	2,300	7,838	538	800	5,525	2,671	31,837
Revenues over (under) expenditures	-	-	-	1,262	-	-	-	-	-
Other financing sources (uses):									
Operating transfers in (out)	-	-	-	(1,262)	-	-	-	-	-
RLF principal received (disbursed), net	-	-	-	-	-	-	-	-	-
Net change in fund balances	-	-	-	-	-	-	-	-	-
Fund balances, beginning of year adjusted	-	-	-	-	-	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

COMBINING STATEMENT OF OPERATIONS BY PROGRAM AND SUPPORTING SERVICES

Year Ended June 30, 2014

	Home & Community Based CDO	Traumatic Brain Injury	Senior Center Support	Service Providers & Elder Abuse Coalition	United Way - Nelson Co HDM	Prescription Assistance Program (KPAP)	SOCIAL SERVICES TOTAL
Revenues							
Federal Revenue	\$ 147,100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,336,375
State Revenue	1,900,276	-	-	-	-	54,181	3,919,258
Local Revenue	-	57	69	4,415	2,548	851	12,546
Cash Match	-	-	-	-	-	-	199,259
Program Income	-	-	-	-	-	-	56,161
Interest Income	-	-	-	-	-	-	-
Other Income	-	-	-	-	-	-	57
In-Kind Contributions	-	-	-	-	-	-	121,908
Total revenues	2,047,376	57	69	4,415	2,548	55,032	5,645,564
Expenditures							
Salaries	190,486	28	-	-	316	1,479	586,523
Fringe Benefits	91,981	13	-	-	145	683	278,511
Contractual Services	59,108	-	-	-	1,905	43,332	2,667,875
Client Services/Program Costs	1,540,036	-	-	-	-	-	1,626,290
Travel	626	-	-	-	-	5,355	19,685
Training	574	-	-	-	-	1,272	13,989
Ads, Printing, Publications and Copies	1,573	-	-	1,260	-	50	6,796
Equipment Rent and Maintenance	2,460	-	-	-	-	-	22,411
Capital Outlay (Equipment)	-	-	-	-	-	-	11,053
Supplies and Postage	3,850	-	69	-	-	2,009	12,967
Phone	-	-	-	-	-	-	8,624
Dues and Registrations	530	-	-	3,155	-	-	5,594
Other Costs	294	-	-	-	-	-	1,309
Rent	-	-	-	-	-	-	-
Insurance and Bond Expense	-	-	-	-	-	-	-
In-Kind Expenses	-	-	-	-	-	-	2,091
Debt Service-Principal	-	-	-	-	-	-	-
Shared Costs Applied:							
Operational Costs	51,432	7	-	-	84	394	157,526
Indirect Administration Costs	28,176	4	-	-	46	216	86,295
Shared Costs	31,598	5	-	-	52	242	82,681
Total expenditures	2,002,724	57	69	4,415	2,548	55,032	5,590,220
Revenues over (under) expenditures	44,652	-	-	-	-	-	55,344
Other financing sources (uses):							
Operating transfers in (out)	(44,652)	-	-	-	-	-	(55,344)
RLF principal received (disbursed), net	-	-	-	-	-	-	-
Net change in fund balances	-	-	-	-	-	-	-
Fund balances, beginning of year adjusted	-	-	-	-	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

COMBINING STATEMENT OF OPERATIONS BY PROGRAM AND SUPPORTING SERVICES

Year Ended June 30, 2014

	Special Revenue Fund Total - Grants Management Basis	General Fund Total - Grants Management Basis	Shared Cost Allocation	Governmental Funds Total - Grants Management (Budget) Basis	Grants Management Basis To Fund Basis Conversion	GOVERNMENTAL FUNDS TOTAL (after conversion)
Revenues						
Federal Revenue	\$ 3,622,782	\$ 83,625	\$ -	\$ 3,706,407	\$ -	\$ 3,706,407
State Revenue	4,227,013	8,500	-	4,235,513	-	4,235,513
Local Revenue	54,943	78,571	-	133,514	-	133,514
Cash Match	200,442	-	-	200,442	-	200,442
Program Income	56,161	-	-	56,161	-	56,161
Interest Income	11,960	3,573	-	15,533	-	15,533
Other Income	1,583	13,150	-	14,733	-	14,733
In-Kind Contributions	121,908	-	-	121,908	-	121,908
Total revenues	8,296,792	187,419	-	8,484,211	-	8,484,211
Expenditures						
Salaries	1,300,205	53,820	329,270	1,683,295	(2,435)	1,680,860
Fringe Benefits	598,409	24,908	138,666	761,983	-	761,983
Contractual Services	3,064,487	96	23,064	3,087,647	-	3,087,647
Client Services/Program Costs	2,377,318	-	-	2,377,318	-	2,377,318
Travel	36,486	1,278	49,246	87,010	-	87,010
Training	23,242	-	2,257	25,499	-	25,499
Ads, Printing, Publications and Copies	11,365	357	6,329	18,051	-	18,051
Equipment Rent and Maintenance	34,504	2,433	8,463	45,400	-	45,400
Capital Outlay (Equipment)	12,891	-	-	12,891	4,111	17,002
Supplies and Postage	25,232	1,872	13,648	40,752	-	40,752
Phone	10,269	779	13,504	24,552	-	24,552
Dues and Registrations	16,411	14,942	24,147	55,500	-	55,500
Other Costs	2,409	17,365	16,449	36,223	(13,152)	23,071
Rent	21,932	-	87,554	109,486	-	109,486
Insurance and Bond Expense	-	-	14,173	14,173	-	14,173
In-Kind Expenses	3,274	-	-	3,274	-	3,274
Debt Service-Principal	-	-	-	-	1,049	1,049
Shared Costs Applied:						
Operational Costs	345,893	14,143	(360,036)	-	-	-
Indirect Administration Costs	189,497	7,743	(197,240)	-	-	-
Shared Costs	160,750	8,744	(169,494)	-	-	-
Total expenditures	8,234,574	148,480	-	8,383,054	(10,427)	8,372,627
Revenues over (under) expenditures	62,218	38,939	-	101,157	10,427	111,584
Other financing sources (uses):						
Operating transfers in (out)	(55,344)	55,344	-	-	(814)	(814)
RLF principal received (disbursed), net	-	-	-	-	-	-
Net change in fund balances	6,874	94,283	-	101,157	9,613	110,770
Fund balances, beginning of year adjusted	434,008	1,275,030	-	1,709,038	(213,340)	1,495,698
Fund balances, end of year	\$ 440,882	\$ 1,369,313	\$ -	\$ 1,810,195	\$ (203,727)	\$ 1,606,468

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2014

	CFDA Number	Grant Number	Federal Award Expended
<u>U.S. Department of Commerce</u>			
Economic Development Administration			
Passed-through State Department: Economic Development Administration			
Economic Development - Support for Planning Organizations	11.302	1400000412	\$62,900
Direct Received Funds			
Economic Adjustment Assistance	11.307	04-39-03494	336,772
Passed-through Pennyrile Area Development District			
Economic Adjustment Assistance - KY Agriculture Development Information System	11.307	n/a	10,052
			346,824
Total U.S. Department of Commerce			409,724
<u>U.S. Department of Housing and Urban Development</u>			
Office of Community Planning and Development			
Passed-through State Department: Community Planning and Development			
Community Development Block Grant - JFA	14.228	1400000412	18,500
Passed-through Local Sources			
Community Development Block Grants - State Program	14.228	n/a	49,504
Total U.S. Department of Housing and Urban Development			68,004
<u>U.S. Department of Labor</u>			
Employment and Training Administration			
Passed-through Kentucky Education Cabinet: Department for Workforce Investment			
Office of Employment & Training			
Trade Adjustment Assistance	17.245	205BE12	128,033
Office of Employment & Training			
WIA Adult Program	17.258 a	270AD14	11,086
WIA Adult Program	17.258 a	273AD14	384,115
WIA Adult Program	17.258 a	273AD13	124,398
			519,599
Office of Employment & Training			
WIA Youth Activities	17.259 a	274YT13	282,556
WIA Youth Activities	17.259 a	274YT14	250,658
			533,214
Office of Employment & Training			
WIA Dislocated Worker Formula Grants	17.278 a	272DW14	45,137
WIA Dislocated Worker Formula Grants	17.278 a	271DW14	216,373
WIA Dislocated Worker Formula Grants	17.278 a	272DW13	85,249
WIA Dislocated Worker Formula Grants	17.278 a	271DW13	528,083
			874,842
<i>a - Department of Labor - Employment Service Cluster</i>			1,927,655
Total U.S. Department of Labor			2,055,688
<u>U.S. Department of Transportation</u>			
Federal Highway Administration			
Passed-through Kentucky Transportation Cabinet			
Highway Planning and Construction:			
Metropolitan Planning Organization - Unified Planning Work Programs	20.205	1300004312	98,400
Metropolitan Planning Organization - Public Implementation Transportation Study	20.205	1300000042	9,840
FY2014 Local Road Updates	20.205	1400002199	14,080
Passed-through Larue, Nelson, Washington and Boyle Counties			
Metropolitan Planning Organization - Lincoln Heritage Scenic Byway	20.205	n/a	3,264
			125,584
Federal Transit Administration			
Passed-through Kentucky Transportation Cabinet			
Metropolitan Transportation Planning - Section 5303	20.505	G03MP03Z	1,964
Metropolitan Transportation Planning - Section 5304	20.505	G04S404Z	14,982
			16,946
Total U.S. Department of Transportation			142,530
<u>Environmental Protection Agency</u>			
Office of Water			
Passed-through City of Hodgenville			
ARRA - Capitalization Grants for Clean Water State Revolving Funds	66.458	n/a	3,721
ARRA - Capitalization Grants for Drinking Water State Revolving Funds	66.468	n/a	1,751
Total Environmental Protection Agency			5,472

See notes to Schedule of Expenditures of Federal Awards.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued

Year ended June 30, 2014

	CFDA Number	Grant Number	Federal Award Expended
U.S. Department of Health and Human Services			
<u>Administration for Community Living</u>			
<u>Passed-through Kentucky Cabinet for Health and Family Services</u>			
Special Programs for the Aging:			
Title VII Elder Abuse Prevention	93.041	PON2 725 1300002008 3	3,540
Title VII Ombudsman Services	93.042	PON2 725 1300002008 3	7,122
Title III-D Disease Prevention-Health Promotion	93.043	PON2 725 1300002008 3	21,199
Title III-B Supportive Services	93.044 b	PON2 725 1300002008 3	227,848
Title III-C Nutrition Services	93.045 b	PON2 725 1300002008 3	433,968
ARRA - Title IV and Title II Discretionary Projects - Aging & Disability Resource Ctr	93.048	PON2 725 1300002029 3	2,300
Title III-E National Family Caregiver Support	93.052	PON2 725 1300002008 3	113,785
Nutrition Services Incentive Program (NSIP)	93.053 b	PON2 725 1300002008 3	63,405
<i>b - Department of Health and Human Services - Aging Cluster</i>			<u>725,221</u>
<u>Centers for Disease Control and Prevention</u>			
<u>Passed-through Kentucky Cabinet for Health and Family Services</u>			
Public Health Emergency Preparedness - Functional Assessment Service Teams	93.069	PON2 725 1300002029 3	2,671
<u>Administration for Community Living</u>			
<u>Passed-through Kentucky Cabinet for Health and Family Services</u>			
Medicare Enrollment Assistance Program - MIPPA AAA	93.071	PON2 725 1300002029 3	9,100
Medicare Enrollment Assistance Program - MIPPA ADRC	93.071	PON2 725 1300002029 3	538
			<u>9,638</u>
<u>Centers for Medicare and Medicaid Services</u>			
<u>Passed-through Kentuckiana Regional Planning & Development Agency</u>			
Affordable Care Act Exchanges - Kentucky Health Benefit Exchange	93.525	n/a	248,209
<u>Administration for Community Living</u>			
<u>Passed-through Kentucky Cabinet for Health and Family Services</u>			
ARRA - Assistance Programs for Chronic Disease Self Management Program	93.725	PON2 725 1300002029 3	5,525
<u>Centers for Medicare and Medicaid Services</u>			
<u>Passed-through Kentucky Cabinet for Health and Family Services</u>			
Medical Assistance Program - Consumer Directed Options	93.778	PON2 725 1300002008 3	147,100
CMS Research, Demo. & Evaluations - Benefits Counseling	93.779	PON2 725 1300002029 3	49,265
<u>Center for Disease Control and Prevention</u>			
<u>Passed-through Kentucky Cabinet for Health and Family Services</u>			
Assistance Programs for Chronic Disease Prevention and Control	93.945	PON2 725 1300002029 3	800
Total U.S. Department of Health and Human Services			<u>1,336,375</u>
U.S. Department of Homeland Security			
<u>Pre-Disaster Mitigation Program Competitive Grant</u>			
<u>Passed-through Kentucky Division of Emergency Management</u>			
<u>Passed-through Breckinridge County</u>			
Hazard Mitigation Grant	97.039	HMGP-DR-1818-0014	2,772
<u>Passed-through Marion County</u>			
Hazard Mitigation Grant	97.039	HMGP-DR-1818-0150	1,538
<u>Passed-through City of Muldraugh</u>			
Hazard Mitigation Grant	97.039	HMGP-DR-1802-0013	5,139
Total U.S. Department of Homeland Security			<u>9,449</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$4,027,242</u>

See notes to Schedule of Expenditures of Federal Awards.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued

Year ended June 30, 2014

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of the Lincoln Trail Area Development District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore some amounts presented in this schedule may differ from amounts in or used in the preparation of the financial statements.

Note 2 - Revolving Loan Fund

The District administers a Revolving Loan Fund. The federal grant award dated October 3, 1987 was \$500,000. Loan values, RLF cash balanced, current year administrative expenses and loans written off, in lieu of expenditures, are used in determining major program status, and are as follows: Loans outstanding \$286,114; Cash balance \$155,597; Administrative expenses \$7,251; Loans written off \$0; 75% federal portion \$336,722.

Note 3 - Reconciliation of Federal Revenue to Schedule of Expenditures of Federal Awards

Total Federal Revenue - Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$3,706,407
Amounts reported in the schedule of expenditures of federal awards are different because:	
Economic Development Administration - Revolving Loan Fund program included on SEFA but has no current year revenue activity	336,772
Programs with timing differences in revenue/expenditure recognition for grant administration services passed through local sources:	
Safe Routes to School	-1,875
Community Development Block Grants - State program	15,503
Hazard Mitigation	-13,801
MPO - Lincoln Heritage Scenic Byway	3,264
EPA - Water State Revolving Funds	472
Economic Development Administration - City of Leitchfield	-12,000
MPO - Historic Glendate Community Enhancement	-7,500
	<u>320,835</u>
Total Expenditures of Federal Awards	<u><u>\$4,027,242</u></u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued

Year ended June 30, 2014

Notes to Schedule of Expenditures of Federal Awards, Continued

Note 4 - Sub-Recipients

Of the federal expenditures presented in the schedule, Lincoln Trail Area Development District provided federal awards to the following sub-recipients:

<u>Program Title</u>	<u>Sub Recipient</u>	<u>Amount Provided</u>
Aging		
Title III Planning & Admin	Dietary Consultants, Inc.	2,235
Title III-B Supportive Services	Central KY Community Action Council	19,154
Title III-B Supportive Services	Lifeline Homecare, Inc.	96,723
Title III-B Supportive Services	Legal Aid Society Inc.	8,135
Title III-B Supportive Services	Transit Authority of Central KY	41,342
Title III-C1 Nutrition Services	Central KY Community Action Council	221,554
Title III-C1 Nutrition Services	Dietary Consultants, Inc.	4,624
Title III-C2 Nutrition Services	Purfoods, LLC	140,381
Title III-D Health Prevention	VNA Nazareth Home Health	17,918
Title III-E FCGP	Lifeline Homecare, Inc.	53,709
Title III-E FCGP	Purfoods, LLC	2,939
Title VII Ombudsman	Legal Aid Society, Inc.	7,122
Nutrition Service Incentive Program	Central KY Community Action Council	63,405
Total Aging		679,241
Transportation Cabinet		
Metropolitan Planning Org	The Corrandino Group Inc.	9,840
Total Transportation Cabinet		9,840
Workforce Investment Act		
Adult	Bardstown Radio Team, LLC	5,101
Adult	Double T. Mineral Sales LTD	918
Adult	Fuel Total Systems KY Corporation	27,518
Adult	The Gates Corporation	8,905
Adult	Heartland Communication Consultants, Inc.	24,165
Adult	Limestone Branch Distillers, Inc.	3,450
Adult	Metalsa Structural Products	76,631
Adult	Montebello Packaging, Inc.	42,410
Adult	NPR of America, Inc.	10,607
Adult	Preston-Osborne, Inc.	2,338
Adult	SAH, LLC	6,947
Adult	Tower International, Inc.	85,628
Dislocated Workers	Fuel Total Systems KY Corporation	10,254
Dislocated Workers	The Gates Corporation	2,000
Dislocated Workers	Heartland Communication Consultants, Inc.	13,118
Dislocated Workers	Joy Global Inc	3,337
Dislocated Workers	Limestone Branch Distillers, Inc.	4,800
Dislocated Workers	Metalsa Structural Products	5,035
Dislocated Workers	Montebello Packaging, Inc.	22,021
Dislocated Workers	Preston-Osborne, Inc.	1,570
Dislocated Workers	Tower International, Inc.	6,015
Youth	Heartland Communication Consultants, Inc.	15,032
Youth	Preston-Osborne, Inc.	1,897
Total Workforce Investment Act		379,697
Total Funds Passed Thru to Subrecipients		\$ 1,068,778

Clauson, Mouser & Co., PSC

CERTIFIED PUBLIC ACCOUNTANTS

KENNETH D. CLAUSON, CPA
SUSAN C. MOUSER, CPA

MELISSA S. MARTIN, CPA

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Lincoln Trail Area Development District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Lincoln Trail Area Development District (LTADD), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise LTADD's basic financial statements, and have issued our report thereon dated December 17, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered LTADD's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LTADD's internal control. Accordingly, we do not express an opinion on the effectiveness of LTADD's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LTADD's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clauson, Mouser & Co.

Certified Public Accountants

December 17, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors
Lincoln Trail Area Development District

Report on Compliance for Each Major Federal Program

We have audited Lincoln Trail Area Development District (LTADD)'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of LTADD's major federal programs for the year ended June 30, 2014. LTADD's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of LTADD's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about LTADD's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of LTADD's compliance.

Opinion on Each Major Federal Program

In our opinion, LTADD, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of LTADD is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered LTADD's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of LTADD's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Clauson, Houser & Co.

Certified Public Accountants

December 17, 2014

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT**SCHEDULE OF FINDINGS AND QUESTIONED COSTS and PRIOR AUDIT FINDINGS**

Year Ended June 30, 2014

Section I - Summary of Auditor's Results*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ yes ☒ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? ☐ yes ☒ no

Identification of major programs:

93.044 Title IIIB Supportive Services
 93.045 Title IIIC Nutrition Services
 93.053 Nutrition Services Incentive Program (NSIP)
 93.052 Title IIIE Caregiver
 93.525 Affordable Care Act Exchange

Dollar threshold used to distinguish between type A and type B programs: \$300,000.

Auditee qualified as low-risk auditee? ☒ yes ☐ no**Section II - Financial Statement Findings**

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

Section IV - Prior Audit Findings

There were no prior audit findings.